Welcome by Philipp Rickenbacher, Chairman of the VAV

Private Banking Day Zurich, 10 June 2022

The spoken text is final.

Ladies and Gentlemen,

After the 2020 Private Banking Day fell victim to the pandemic and last year's event had to be held without an audience present, it is a great honour and pleasure for me to be able to welcome you personally for the first time in my role as Chairman of the VAV and in the name of our two associations to what is already the sixth Private Banking Day. The fact that so many of you are here today is proof of your confidence in the associations' work – and I would like to thank you for that. I would also like to express my gratitude to my colleagues at the Association of Swiss Private Banks for the constructive and close collaboration over recent years, which has helped us to represent the interests of Switzerland as a location for wealth management even more effectively.

The Private Banking Day last took place in Zurich five years ago. Since then, it has been held in further Swiss financial centres: Lugano, Lucerne and Geneva. This illustrates both the broad support the event enjoys and the significance of Switzerland's role as a location for wealth management for the whole country. In terms of content, we have focused on topics that are of fundamental relevance to our sector – with macro-economic, political, regulatory or operational aspects. At our industry conventions in recent years, we have discussed a wide range of challenges such as the bilateral relations with the EU, market access, negative interest rates, cyber risks and sustainable finance and drawn valuable conclusions for our sector's future.

While we meet today to reflect on the future of our industry, we are currently receiving a stark reminder, day in, day out, that economic prosperity and free trade are nearly impossible without the more basic premise of peace and a world order that is ruled by international law. A brutal war of aggression is raging just a few hours' flight from here, and it is having tangible effects not only on Europe and the global economy but also on Switzerland and its financial centre. Something that had been unimaginable for so long has become a reality, giving us a painful reminder of just how fragile the prosperity and freedom we have achieved are. Our thoughts are therefore also with the people of Ukraine.

After the pandemic seems to have been overcome to some extent, the world finds itself in a time of uncertainty and upheaval following the latest escalation. The ability to adapt quickly combined with strong Swiss values are in greater demand than ever as a compass for our country and its economy. For me, these typical Swiss values include, among other things, freedom, personal responsibility, stability, subsidiarity, modesty, reliability and thoroughness. And in this context, not only must the individual players be able to react quickly; they must also show backbone when they meet with fierce resistance. This is especially relevant for our sector.

At today’s event, we will analyse and take a holistic look at the topic of “USP Swiss Private Banking – how to stay the best in class?” – or what makes our industry successful and what are its strengths? The fact that Switzerland has retained its very successful position as a location for wealth management proves that our industry’s unique selling proposition was not bank secrecy. Instead, the enduring success depends on a bundle of factors.

It is based, without doubt, on the outstanding quality of the advice we give to our clients and our personal relationships with them, which outlast crises. Then there are factors that are down to Switzerland as a location, such as the liberal/free-trade-based framework for entrepreneurial activity, short routes between industry players, politicians/authorities and science, the functioning access to talented employees from Switzerland and abroad, the generally very high level of education, the high degree of legal certainty and the dense infrastructure network. Today, our goal is to get to the bottom of these success factors and identify which 'screws' we have to adjust in order to remain the best. In the past, our financial centre has proven repeatedly that it is able to overcome challenges. Now it is crucial that we do not rest on our laurels, especially in these dramatic times.

Before I go into some of the key recommendations for action with regard to our framework conditions, I would like to make a short 'inventory' of the sector. Switzerland remains the number one in the cross-border wealth management business. In view of the constantly intensifying competition between the financial centres, however, this position is not set in stone. Asian financial centres in particular are gaining ground and could overtake us in a few years.

Switzerland’s ability to hold its own as a location for wealth management against this competition isn’t just in the interest of the industry players; it is for the benefit of the whole country, because the wealth management business remains crucial both for the Swiss financial centre and the Swiss economy. I would like to remind you that in total, private banking generates around half of all revenues in the banking sector, making it the undisputed mainstay of the Swiss banking centre. Two-thirds of these revenues come from cross-border business, with Europe’s share of around 40 per cent making it by far the most important market. This fact underlines just how export-oriented our banking centre is, especially vis-à-vis the European market.

Today, the production of the wealth management industry’s services takes place mainly in Switzerland. As a result, jobs have been created, value added and tax revenues generated here in the past. However, this positive effect must not obscure the fact that the costs of producing these services are also incurred here. The strength of the Swiss franc, which has impacted our sector just as much as any other export industry, has played a big role in these costs to date. Then there are the traditionally high costs of regulation and the expenses incurred through barriers to market access, some of which are virtually insurmountable.

In this context, it is no surprise that onshore strategies are gaining in importance. Added to this is the fact that, although they constitute a nice 'niche', cross-border assets under management only make up a small proportion of global financial assets. As a result, those who can afford to do so operate both onshore and offshore business in parallel. This leads to ever-intensifying competition between exports from Switzerland to other countries and the direct investments made abroad in order to serve the market in question directly from a local base. Other Swiss export industries that operate globally have long been familiar with this phenomenon. A trend like this does of course increase susceptibility to outsourcing if Switzerland as a location is no longer able to keep up.

I do not wish to conclude my 'inventory' without mentioning the fundamental regulatory transformation that our country and its banks have managed to achieve in the last decade – and with much success. The long catalogue of legal abbreviations with their corresponding string of ordinances and FINMA circulars that are not only in force today but have also been implemented with true Swiss meticulousness by the financial institutions speaks volumes: AEOI, AMLA, Basel III, BEPS, CISA, DTA, FATCA, FinIA, FinSA, FMIA, TBTF, and so on and so forth. And I ask you: who, had they had prior knowledge of this long catalogue 15 years ago, would have wagered that a bank could still be run profitably in the face of all these additional regulatory requirements? Or even, successfully?

I would now like to come to my suggestions for action to be taken in connection with the relevant framework conditions for our sector in the light of the wide-ranging challenges we are facing. So as not to pre-empt the panel’s discussion, permit me to concentrate on three points of geopolitical relevance for the attention of the authorities.

Firstly, we must cultivate our financial centre’s reputation and have every right to be a little more confident when it comes to promoting our strengths and in particular defending ourselves against unobjective attacks from abroad. We must not allow ourselves to be tarnished with a bad image. We must constantly persist in referring to our transparent processing of the past and the fundamental regulatory transformation we have undergone and explaining our strict regulatory mechanisms and their implementation. These include, for example, the automatic exchange of information and anti-money laundering regulations that have been continuously expanded and tightened in line with international standards. Even if future infringements cannot be completely ruled out and further regulatory corrections may be required, I would nevertheless like to clearly stress: a person who would like to launder large amounts of money without anyone noticing will nowadays hardly find ways to do so in Switzerland.

Secondly, with regard to the much-discussed policy of neutrality and the associated approach towards sanctions, it can be stated with absolute clarity that the Swiss banking centre isn’t a 'free-rider'. The most recent example of this is the immediate assumption of all European and US sanctions against Russia in connection with the Ukraine conflict. There is no way round this for internationally active and exposed financial institutions, and rightly so. As a sovereign country, however, Switzerland has room for manoeuvre in terms of how it interprets and develops its policy of neutrality and thus with regard to the adoption of international sanctions, taking into account a wide range of aspects. In the history of modern Switzerland since the Vienna Congress in 1815, the policy of neutrality has always been adapted to current geopolitical circumstances and forces. Of course, this desirable neutrality is a balancing act in a world of conflicting economic and military blocs. In this context, however, Swiss sanctions policy can not afford throwing any elementary principle of the rule of law over board, as some populist demands have been calling for. Instead, Switzerland should continue to pursue its own independent sanctions policy that is based on the country’s core values.

I have now come to the third point – relations between Switzerland and the EU. With its unilateral decision to terminate negotiations on the institutional framework agreement, Switzerland has manoeuvred itself into a difficult position in which constructive talks are tricky. However, the Ukraine conflict has once again highlighted the strong community of values between Switzerland and the EU, which will hopefully inject some positive momentum into the deadlocked bilateral relations. We support the Federal Council’s current vertical approach, under which institutional questions are to be regulated in selected sectors. In this context, our unequivocal position is that the banking sector should also be explicitly included as part of a possible negotiation package with the EU. The banking sector deserves to be given the same importance as the fields of electricity, medical technology and research. In specific terms, it is primarily about mutual market access for banks between Switzerland and the EU. From the sector's perspective, therefore, all institutional questions could also be resolved simultaneously in this area. In this context, I remind you that Federal Councillor Cassis rightly pointed out at the Private Banking Day four years ago in Lugano that the financial sector had not adopted a united position with regard to the possible approach to market access in the EU. In the meantime, however, the industry has done its homework and agreed on the 'institute-specific approach'. This potential solution envisages a situation in which only those financial institutions that wish to actively offer their services in the EU fully – and dynamically – adopt the EU regulations.

Beyond these three points, further efforts are needed to ensure that the Swiss Wealth Management industry is fit for the future. In order to remain relevant, the industry itself must take a proactive approach together with its clients towards the challenges and issues of the future. In this regard, I am thinking particularly of the issue of 'sustainable investing', which places a greater focus on ESG criteria and is becoming increasingly important for our clients. But also such topics as investments and the adoption of new technologies as part of the digitalisation process, or the fact that financial players should not neglect the potential of digital assets or decentralised finance and must keep abreast of the latest developments. I am sure that we will hear some very interesting thoughts on these issues from our panellists.

To conclude, I would like to return to the crisis mode we find ourselves in due to the geopolitical situation, and are likely to remain in for the foreseeable future. Even though there are no 'good' crises, they do always present opportunities. Or, to put it differently: "Never let a good crisis go to waste" – something Winston Churchill is credited with saying while he was working to form the United Nations after World War Two. In this spirit, now is the right moment for our industry to focus on reflection, transformation and using the opportunities that present themselves – because we are currently able to do so from a position of relative strength. All players must find the right answers to the challenges they face at their respective levels.